

COMMITTEE REPORT

MR. PRESIDENT:

The Senate Committee on Pensions and Labor, to which was referred House Bill No. 1093, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

1 Replace the effective dates in SECTIONS 5 through 7 with
2 "[EFFECTIVE JULY 1, 2000]".

3 Page 1, between the enacting clause and line 1, begin a new
4 paragraph and insert:

5 "SECTION 1. IC 4-3-3-2 IS AMENDED TO READ AS FOLLOWS
6 [EFFECTIVE JULY 1, 1999]: Sec. 2. The surviving spouse of each
7 individual who serves as governor and who is entitled to a retirement
8 benefit under section 1.1 of this chapter, is entitled to an annual
9 pension. The pension shall be paid in equal monthly installments by the
10 treasurer of state on warrant of the auditor of state after a claim has
11 been made for the pension to the auditor by the surviving spouse or a
12 person acting on his behalf. The annual pension under this section is
13 equal to the ~~greater of~~ **following:**

14 (1) ~~fifty percent (50%) of~~ **For the surviving spouse of a**
15 **governor who died before July 1, 1998, the greater of:**

16 (A) the annual retirement benefit ~~to which the governor to~~
17 ~~whom the received by the~~ surviving spouse ~~was married~~
18 ~~would have been entitled on the date of the governor's death~~
19 ~~under section 1.1 of this chapter;~~ **during the year beginning**
20 **July 1, 1998; or**

- 1 ~~(2)~~ **(B)** ten thousand dollars (\$10,000).
 2 **(2) For the surviving spouse of a governor who dies after June**
 3 **30, 1998, the greater of:**
 4 **(A) fifty percent (50%) of the annual retirement benefit**
 5 **that the governor to whom the surviving spouse was**
 6 **married was receiving or was entitled to receive on the**
 7 **date of the governor's death; or**
 8 **(B) ten thousand dollars (\$10,000).**

9 The surviving spouse of each individual who serves as governor must
 10 elect to receive either (1) or (2) above and once any payment has been
 11 received the election is irrevocable. The surviving spouse is entitled to
 12 receive the pension for the remainder of his life unless he remarries.
 13 Notwithstanding any other law to the contrary, the pension under this
 14 section is in addition to any other retirement benefits a surviving
 15 spouse is entitled to receive.".

16 Page 2, delete lines 14 through 42, begin a new paragraph and
 17 insert:

18 "SECTION 3. IC 5-10.2-2-3 IS AMENDED TO READ AS
 19 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 3. (a) The annuity
 20 savings account consists of:

- 21 (1) the members' contributions; and
 22 (2) the interest credits on these contributions **in the guaranteed**
 23 **fund or the gain or loss in market value on these contributions**
 24 **in the alternative investment program,** as specified in section
 25 4 of this chapter.

26 Each member shall be credited individually with the amount of the
 27 member's contributions and interest credits.

28 (b) Each board shall maintain the annuity savings account program
 29 in effect on December 31, 1995 (referred to in this chapter as the
 30 guaranteed program). In addition, the board of the Indiana state
 31 teachers' retirement fund shall establish and maintain a guaranteed
 32 program within the 1996 account. Each board may establish investment
 33 guidelines and limits on all types of investments (including, but not
 34 limited to, stocks and bonds) and take other actions necessary to fulfill
 35 its duty as a fiduciary of the annuity savings account, subject to the
 36 limitations and restrictions set forth in IC 5-10.3-5-3 and IC 21-6.1-3-9.

37 (c) Each board shall establish alternative investment programs
 38 within the annuity savings account of the public employees' retirement

fund, the pre-1996 account, and the 1996 account, based on the following requirements:

(1) Each board shall maintain at least one (1) alternative investment program that is an indexed stock fund and one (1) alternative investment program that is a bond fund.

(2) The programs should represent a variety of investment objectives under IC 5-10.3-5-3.

(3) No program may permit a member to withdraw money from the member's account except as provided in IC 5-10.2-3 and IC 5-10.2-4.

(4) All administrative costs of each alternative program shall be paid from the earnings on that program.

(5) A valuation of each member's account must be completed ~~at least annually~~ **as of the last day of each quarter.**

(d) The board must prepare, at least annually, an analysis of the guaranteed program and each alternative investment program. This analysis must:

(1) include a description of the procedure for selecting an alternative investment program;

(2) be understandable by the majority of members; and

(3) include a description of prior investment performance.

(e) A member may direct the allocation of the amount credited to the member among the guaranteed fund and any available alternative investment funds, subject to the following conditions:

(1) A member may make a selection or change an existing selection at any time, but not more than once in a twelve (12) month period.

(2) The board shall implement the member's selection beginning the first day of the next calendar quarter that begins at least thirty (30) days after the selection is received by the board. This date is the effective date of the member's selection.

(3) A member may select any combination of the guaranteed fund or any available alternative investment funds, in ten percent (10%) increments.

(4) A member's selection remains in effect until a new selection is made.

(5) On the effective date of a member's selection, the board shall reallocate the member's existing balance or balances in

1 accordance with the member's direction, based on: ~~the market~~
 2 ~~value~~

3 (A) for an alternative investment program balance, **the market**
 4 **value** on the effective date; and ~~by account balance~~

5 (B) for any guaranteed program balance, **the account balance**
 6 on the effective date.

7 All ~~future~~ contributions to the member's account shall be
 8 allocated **as of the last day of that quarter** in accordance with
 9 the member's most recent effective direction. The board shall not
 10 reallocate the member's account at any other time.

11 (f) When a member who ~~has selected~~ **participates in** an alternative
 12 investment program ~~retires, dies, suspends membership and withdraws~~
 13 ~~from the fund, or~~ transfers the amount credited to the member from one
 14 (1) alternative investment program to another **alternative investment**
 15 **program or to the guaranteed program**, the amount credited to the
 16 member shall be valued at the market value of the member's
 17 investment, as of the ~~last day of the preceding quarter~~: **before the**
 18 **effective date of the member's selection. When a member who**
 19 **participates in an alternative investment program retires, becomes**
 20 **disabled, dies, or suspends membership and withdraws from the**
 21 **fund, the amount credited to the member shall be the market value**
 22 **of the member's investment as of the last day of the quarter**
 23 **preceding the member's distribution or annuitization at**
 24 **retirement, disability, death, or suspension and withdrawal, plus**
 25 **contributions received after that date.**

26 (g) When a member who participates in the guaranteed program
 27 ~~retires, dies, suspends membership and withdraws from the fund, or~~
 28 transfers the amount credited to the member to an alternative
 29 investment program, the amount credited to the member in the
 30 guaranteed program is computed without regard to market value and is
 31 based on the balance of the member's account in the guaranteed
 32 program as of the last day of the ~~preceding~~ quarter **preceding the**
 33 **effective date of the transfer. When a member who participates in**
 34 **the guaranteed program retires, becomes disabled, dies, or**
 35 **suspends membership and withdraws from the fund, the amount**
 36 **credited to the member shall be computed without regard to**
 37 **market value and is based on the balance of the member's account**
 38 **in the guaranteed program as of the last day of the quarter**

preceding the member's distribution or annuitization at retirement, disability, death, or suspension and withdrawal, plus any contributions received since that date **plus interest since that date.**

SECTION 4. IC 5-10.2-2-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 4. (a) Interest shall be credited and compounded at least annually on all amounts credited to the member in the guaranteed program. For the guaranteed program, the board shall annually establish an interest credit rate equal to or less than the investment income earned.

(b) The market value of each alternative investment program shall be allocated at least annually to the members participating in that program.

(c) Contributions to the guaranteed program **and the alternative investment programs** shall be invested as ~~of the contributions are paid and last day of the quarter in which the contributions are received.~~ **Contributions to the guaranteed program** shall begin to accumulate interest at the beginning of the quarter after the quarter in which the contributions are paid. ~~Contributions to the alternative investment programs shall be invested as the contributions are paid.~~ **received.**

(d) When a member retires or withdraws with a balance in the guaranteed program, a proportional interest credit determined by the board shall be granted for the period elapsed since the last interest date on that balance."

Delete page 3.

Page 4, delete lines 1 through 15.

Page 4, line 24, delete "shall" and insert "**may**".

Page 4, line 31, delete "(d)".

Page 4, line 31, strike "The board may establish rules for deferring the effective date of".

Page 4, line 32, strike "a suspension of".

Page 4, line 32, delete "membership" and insert "**membership**".

Page 4, line 32, delete "under this section."

Page 4, line 32, strike "The deferral may not".

Page 4, strike line 33.

Page 4, line 34, delete "(e)" and insert "**(d)**".

Page 5, between lines 15 and 16, begin a new paragraph and insert:

"SECTION 7. IC 5-10.2-4-1.3 IS ADDED TO THE INDIANA

CODE AS A NEW SECTION TO READ AS FOLLOWS
 [EFFECTIVE JULY 1, 1999]: **Sec. 1.3. (a) A member who files an application for retirement benefits must provide the following information on the application form:**

(1) The retirement date chosen by the member.

(2) Whether the member chooses:

(A) an annuity purchased from the amount credited to the member in the annuity savings account;

(B) a total or partial distribution from the annuity savings account under section 2(b) of this chapter; or

(C) a deferral of the payment of any benefits from the annuity savings account under section 2(c) of this chapter.

(3) The name of the beneficiary or beneficiaries designated by the member with respect to the pension portion of the member's retirement benefit.

(4) The name of the beneficiary or beneficiaries designated by the member with respect to the annuity portion of the member's retirement benefit, unless the member chooses total distribution under section 2 of this chapter.

(b) A member's designation of beneficiaries in the application for retirement benefits supersedes any previous designation of beneficiaries by the member.

(c) A member must indicate the name, address, date of birth, and Social Security number of each designated beneficiary and provide proof of birth of each designated beneficiary.

(d) Each board shall adopt a form for the application for retirement benefits that meets the requirements of this section."

Page 5, line 19, after "benefit" insert "**of the pension portion**".

Page 5, line 29, after "the" insert "**pension portion of the**".

Page 5, line 41, after "time" insert "**, as**".

Page 5, line 41, delete "fund." and insert "**board.**".

Page 6, line 7, strike "lump sum payment" and insert "**distribution**".

Page 6, line 13, strike "lump sum payment" and insert "**distribution**".

Page 6, line 16, strike "lump sum payment" and insert "**distribution**".

Page 6, line 29, after "choose" insert "**, as of the first day of a month,**".

1 Page 6, line 29, delete "lump sum payment" and insert
2 **"distribution"**.

3 Page 6, line 35, delete "lump sum payment" and insert
4 **"distribution"**.

5 Page 6, line 38, delete "lump sum payment" and insert
6 **"distribution"**.

7 Page 6, line 42, delete "lump sum" and insert **"distribution"**.

8 Page 7, line 4, after "chapter." insert **"The amount to be paid**
9 **under this section shall be determined in the manner described in**
10 **IC 5-10.2-2-3, except that it shall be determined as of the last day**
11 **of the quarter preceding the member's actual distribution or**
12 **annuitization date."**.

13 Page 7, line 5, delete "(d)".

14 Page 7, line 5, strike "A member who retires is entitled to receive
15 monthly".

16 Page 7, strike lines 6 through 7.

17 Page 7, line 8, delete "(e)" and insert **"(d)"**.

18 Page 7, line 37, after "(b)" insert **"A member who retires is**
19 **entitled to receive monthly retirement benefits, which are**
20 **guaranteed for five (5) years or until the member's death,**
21 **whichever is later."**.

22 Page 7, line 39, after "the" insert **"five (5) year"**.

23 Page 7, line 39, after "payments" insert ".".

24 Page 7, line 40, strike "specified in section 2 of this chapter".

25 Page 8, line 22, after "marries" insert **", either for the first time or**
26 **following the death of the member's spouse,"**.

27 Page 8, line 41, strike "section 2 of this chapter." and insert **"this**
28 **subsection."**.

29 Page 10, between lines 2 and 3, begin a new paragraph and insert:

30 "SECTION 13. IC 5-10.3-5-4 IS AMENDED TO READ AS
31 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 4. (a) Securities shall
32 be held for the fund by banks or trust companies under a custodial
33 agreement. Income, interest, proceeds of sale, materials, redemptions,
34 and all other receipts from securities and other investments which the
35 board retains for the cash working balance shall be deposited with the
36 treasurer of state.

37 (b) ~~The board may not purchase a security or financial interest~~
38 ~~issued or owned by a custodian or by a subsidiary; parent corporation;~~

1 ~~or holding company of a custodian.~~

2 (c) (b) Subject to IC 5-10.2-2-15, the board may contract with
3 investment counsel, trust companies, or banks to assist the board in its
4 investment program.".

5 Page 12, between lines 21 and 22, begin a new paragraph and insert:

6 "SECTION 17. IC 5-10.3-7-6 IS AMENDED TO READ AS
7 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 6. Leave Service. (a)
8 A member is entitled to service credit for **adoption leave of not more**
9 **than one (1) year and for** leaves of absence, granted under rules in
10 force at the time of the leave, totaling six (6) months or less during any
11 period of four (4) consecutive years.

12 (b) A member may make contributions during the leave of absence
13 based on his rate of compensation on the date his leave of absence
14 began.

15 (c) Notwithstanding any law, this section must be administered in
16 a manner consistent with the Family and Medical Leave Act of 1993
17 (29 U.S.C. 2601 et seq.). A member on a leave of absence that qualifies
18 for the benefits and protections afforded by the Family and Medical
19 Leave Act is entitled to receive credit for vesting and eligibility
20 purposes to the extent required by the Family and Medical Leave Act,
21 but is not entitled to receive credit for service for benefit purposes
22 unless the leave is described in subsection (a).".

23 Page 13, between lines 5 and 6, begin a new paragraph and insert:

24 "SECTION 20. IC 21-6.1-3-18 IS AMENDED TO READ AS
25 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 18. Conflicts of
26 Interest. (a) Except as otherwise provided, no trustee or employee of
27 the board may have any direct interest in the income of any investment
28 made by the board nor may receive any pay or emolument for services
29 connected with any investment made by the board. **However, the**
30 **board may purchase a security or financial interest issued or**
31 **owned by a custodian bank or trust company or by a subsidiary,**
32 **parent corporation, or holding company of a custodian bank or**
33 **trust company.**

34 (b) No trustee or employee may become in any manner an obligor
35 for money loaned by or borrowed from the fund.".

36 Page 15, delete lines 8 through 42, begin a new paragraph and
37 insert:

38 "SECTION 23. IC 21-6.1-5-9 IS AMENDED TO READ AS

- 1 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 9. (a) The first **pension**
 2 benefit payment after retirement shall be made not more than ninety
 3 (90) days after the **completion and filing of the member's application**
 4 **for retirement date: benefits.**
- 5 (b) After ~~that~~ **the first pension benefit** payment, each person
 6 entitled to benefits shall receive the retirement benefits in installments
 7 payable by the tenth day of each month.
- 8 (c) The last retirement benefit payment must be prorated to
 9 terminate at the member's death."
- 10 Page 16, delete lines 1 through 23.
 11 Page 17, delete lines 23 through 42.
 12 Delete page 18.
 13 Page 19, delete lines 1 through 10.
 14 Page 20, delete lines 10 through 25.
 15 Page 20, line 30, after "officer" insert "**or former marshal**".
 16 Page 20, line 32, delete "and the".
 17 Page 20, delete line 33.
 18 Page 20, line 34, delete "IC 36-8-8-7(a)," and insert "**under section**
 19 **7(a) of this chapter,**".
- 20 Page 20, line 34, after "officer" insert "**or former marshal**".
 21 Page 20, line 36, after "officer" insert "**or former marshal**".
 22 Page 20, line 37, after "fund." insert "**A person may become a**
 23 **member of the 1977 fund under this subsection without meeting the**
 24 **age limitation under section 7(a) of this chapter only if the person**
 25 **satisfies:**
- 26 (1) **any aptitude, physical agility, or physical and mental**
 27 **standards established by a local board under IC 36-8-3.2; and**
 28 (2) **the minimum standards that are:**
- 29 (A) **adopted by the PERF board under section 19 of this**
 30 **chapter; and**
 31 (B) **in effect on the date the person becomes a member of**
 32 **the 1977 fund.**
- 33 **Credit for prior service of a person who becomes a member of the**
 34 **1977 fund under this subsection shall be determined under section**
 35 **18 or 18.1 of this chapter. No service credit beyond that allowed**

1 **under section 18 or 18.1 of this chapter may be recognized under**
2 **the 1977 fund."**

3 Renumber all SECTIONS consecutively.
 (Reference is to HB 1093 as printed February 11, 1999.)

and when so amended that said bill do pass.

Committee Vote: Yeas 11, Nays 0.

Harrison

Chairperson